

FISCAL IMPACT STATEMENT ON BILL NO. **H4992**

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TO:	The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Allan Kincaid		
DATE:	April 17, 2008	SBD:	2008244

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AUTHOR:	Representative Cooper	PRIMARY CODE CITE:	9-1-1810
SUBJECT:	Retirement Systems - COLA's		

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

Sections 1 and 2 would amend sections of the Code of Laws related to the annual award of cost-of-living increases in benefits payable to retired members of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) so as to provide an annual cost-of-living adjustment up to two percent. The Bill would further provide for additional annual ad hoc increases beyond the two percent in the retirement allowances if certain conditions are met.

**EXPLANATION OF IMPACT:**

South Carolina Retirement System (SCRS)

A review of the SCRS by the Retirement System and its actuary based on the July 1, 2007 actuarial valuation indicates the results of increasing the COLA in SCRS from 1% to 2%, assuming an 8% actuarial return on investments, would increase the unfunded accrued liability from \$10.225 billion to \$10.299 billion and reduce the amortization period from 28.9 years to 28.5 years.

Section 9-1-1810(B)(2)(b) provides that a retirement allowance may be further increased beyond 2% if certain conditions are met. However, one of the conditions for an increase beyond 2% under Section 9-1-1810 (B)(2)(b)(iv), is that "no increased employer contribution is required to support the increase pursuant to this subitem".

Police Officers Retirement System (PORS)

A review of the PORS by the Retirement System and its actuary based on the July 1, 2007 actuarial valuation indicates that to provide an annual 2% annual COLA in PORS assuming an 8% actuarial return on investments, and to maintain a 30 year amortization period would require an additional .44% increase in the employer contribution rate beginning July 1, 2009. Based on an estimated total payroll of state agencies of \$378 million under PORS would result in an additional cost of \$1.663 million. Of this amount, approximately \$1.381 million represents a cost to the General Fund of the State.

Section 9-11-310(B)(2)(b) provides that a retirement allowance may be further increased beyond 2% if certain conditions are met. However, one of the conditions for an increase beyond 2% under Section 9-11-310 (B)(2)(b)(iv) is that "no increased employer contribution is required to support the increase pursuant to this subitem".

**LOCAL GOVERNMENT IMPACT:**

Based on a local governments' estimated total payroll of \$623 million under PORS, this would result in an additional cost of \$2.7 million.

**SPECIAL NOTES:**

None.

Approved by:

A handwritten signature in black ink that reads "Harry Bell". The signature is written in a cursive style with a large, looped "H" and a long, sweeping "B".

Harry Bell  
Assistant Director, Office of State Budget